



February 12, 2014

Item No. 4

**AUTHORIZATION TO 1) ENTER INTO A PREDEVELOPMENT LOAN AGREEMENT WITH BMH-I, LLC; 2) AMEND THE MASTER DEVELOPMENT AGREEMENT; 3) COMMIT CHICAGO HOUSING AUTHORITY FUNDS UP TO \$750,000 FOR PRE-DEVELOPMENT WORK AT THE SUPERBLOCK; 4) SUBMIT A DISPOSITION APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; and 5) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING.**

**To the Honorable Board of Commissioners:**

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to 1) Enter into a Predevelopment Loan Agreement with BMH-I, LLC ; 2) Amend the Master Development Agreement; 3) Commit Chicago Housing Authority Funds up to \$750,000 for pre-development work at the Superblock; 4) Submit a Disposition Application to the United States Department of Housing and Urban Development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The Interim Executive Vice President of Development, the Office of the General Counsel and the Department of Procurement and Contracts have completed all necessary due diligence to support submission of this initiative and recommend approval of this item accordingly.

**CORPORATE GOAL #1**

The proposed development supports CHA's corporate goal to reimagine the final phase of the Plan for Transformation, coordinating public and private investments to develop healthy, vibrant, communities.

**FUNDING:** Not to exceed \$750,000 of CHA General Funds.

**M/W/DBE & SECTION 3 PARTICIPATION:**

**M/W/DBE Participation:**

Direct       % MBE 27.3 % WBE 10.8% DBE       

**Section 3:**

(\$) Hiring        (\$) Subcontracting        (1) Other Economic Opportunities

The Prime will hire 1 Architectural Intern who will be gaining knowledge, skills, and abilities from working with the construction team.

## **GENERAL BACKGROUND**

The original Henry Horner (Horner) site was developed between 1957 thru 1969 and was comprised of 1,765 public housing units. The Henry Horner boundary was Lake St on the North, Monroe St on the South, Hermitage Ave on the East and Oakley Ave on the West. The redevelopment of Horner began with Phase I in the late 1990's. At the time, the definition of income tier only included Area Median Income ("AMI") eligible for public housing, not affordable or market rate. The redevelopment of Phase I was comprised of 552 units, of which 260 are scattered site, 90 are at the Annex and 201 are at the Superblock. Redevelopment planning at the Superblock began in 1995 spurred by the '96 Democratic convention in Chicago which was held at the United Center.

The Amended Consent Decree of 1995 guides the redevelopment effort at Henry Horner Homes. Paragraph 16 of the Amended Consent Decree mandates CHA to consult and attempt to reach agreement with the Plaintiffs and the Horner Residents Committee (HRC) regarding all matters related to redevelopment at Horner.

Phase I was completed in 2000. It involved demolition of five high-and mid-rise housing buildings that were replaced with 461 (201 at the Superblock and 260 scattered-site) mixed-income public housing units (very poor and working poor) constructed both on the Horner site and scattered throughout the neighborhood. In addition, the Annex which consists of three smaller buildings with 90 units has been rehabilitated and re-opened as mixed-income public housing.

While all the units in Phase I are public housing, it was conceived that half of its units would be reserved for families between 0-50% of AMI and half of its units for families between 50%-80% of AMI. The idea was that even though all units are public housing, the mix of incomes produced would be adequate to move families out of poverty, and stabilize the community. CHA was not able to reach that 50-50 balance for a meaningful period of time; one reason being there is no work requirement, hence no incentive to maintain employment. The results have not met the original expectations of its designers. Problems persist in Phase I, including persistent crime and lack of social mobility of its residents. The problems of Phase I, in particular the Superblock, threaten the success of the new Westhaven Park development.

Phase II (Westhaven Park) sits on approximately 28 acres bounded by Oakley Ave on the West, Hermitage Ave on the East, Washington Blvd on the South, and Lake St on the North. In 1996 Horner was awarded a HOPE VI grant for \$18.4MM for the redevelopment of Phase II, introducing a true mixed-income/finance community.

The HOPE VI plan calls for three major redevelopment phases comprised of 764 mixed income units of which 271 are public housing, 132 are affordable and 361 are market rate units. To date, a total of 547 mixed-income units have been delivered (408 rental and 139 for-sale). Two-hundred thirty-seven are public housing, 109 are affordable and 201 are market rate units.

The Superblock is 201 units (200 residential units and 1 management unit) located between Damen Ave on the East, Leavitt Ave on the West Lake St on the North and the alley north of Washington Blvd on the South. It is surrounded by the mixed-income Westhaven Park

community. In November 2013, after 3 years of negotiations among CHA, the HRC, BPI, and HUD, including the filing of a motion to allow amendment of the Consent Decree, Judge Zagel signed an Agreed Order for the redevelopment of the Superblock.

### **SUPERBLOCK REDEVELOPMENT PLAN**

Redevelop the existing site from 100% public housing into a mixed-income rental community that will co-exist with the surrounding mixed-income Westhaven Park community. As of January 2014, of the 200 residential units, approximately 152 units are occupied.

On April 16, 2013, a town hall meeting was held for all Superblock families to explain the terms of the proposed settlement agreement and address any questions and concerns. In addition, smaller community meetings were conducted on April 29, April 30 and May 1, 2013 to discuss the issues and for residents to complete and submit their Housing Preference Sheets.

SUPERBLOCK - Housing Preference Survey Results								
AMI	SB	Minimum rent unit at SB	Housing voucher	Phase I & II (not SB)	Near West Side	CHA not west side	Choices unclear	Total occupied units (6/13/13)
0-50 %	77	8	13	6	3	1	-	
50-80 %	11	2	5	3	-	-	-	
> 80 %	25	-	-	-	-	-	14	
<b>Total</b>	<b>113</b>	<b>10</b>	<b>18</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>14</b>	<b>168</b>

The outcome of the negotiations and surveys have resulted in a mixed-income rental phase comprised of:

- 95 public housing units
- 50 affordable units
- 55 market rate units.

At least fifty (50) off-line units will be used as a temporary relocation resource for Superblock families who elected to remain on the Superblock after redevelopment.

### **MASTER DEVELOPMENT AGREEMENT**

CHA entered into a Redevelopment Agreement ("Master Development Agreement"), on November 19, 2002, with BMH-I, LLC sometimes referred to herein as Brinshore-Michaels. In its response to the Horner RFQ, the Brinshore-Michaels development team's proposal included the potential redevelopment of the Superblock site, and although the Master Development Agreement did not include the redevelopment of the Superblock, it included an additional services provision that allowed CHA to expand the scope of the developer's work. CHA's initial focus was on the redevelopment of the 28 acres of high-rise buildings that were not part of Phase I. Given the majority of Phase II has been developed, CHA is now ready to authorize the Brinshore-Michaels team to proceed with the redevelopment of the Superblock.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and all applicable federal (HUD) procurement laws.

The Interim Executive Vice President of Development concurs with the recommendation to 1) Enter into a Predevelopment Loan Agreement with BMH-I, LLC; 2) Amend the Master Development Agreement; 3) Commit Chicago Housing Authority Funds up to \$750,000 for pre-development work at the Horner Superblock; 4) Submit a Disposition Application to the United States Department of Housing and Urban Development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The CEO/President recommends the approval to 1) Enter into a Predevelopment Loan Agreement with BMH-I, LLC; 2) Amend the Master Development Agreement; 3) Commit Chicago Housing Authority Funds up to \$750,000 for pre-development work at the Horner Superblock; 4) Submit a Disposition Application to the United States Department of Housing and Urban Development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

**RESOLUTION NO. 2014-CHA-17**

**WHEREAS,**

the Board of Commissioners has reviewed the Board Letter dated February 12, 2014 entitled 1) Enter into a Predevelopment Loan Agreement with BMH-I, LLC; 2) Amend the Master Development Agreement; 3) Commit Chicago Housing Authority Funds up to \$750,000 for pre-development work at the Horner Superblock; 4) Submit a Disposition Application to the United States Department of Housing and Urban Development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT,**

the Board of Commissioners authorizes the Chief Executive Officer or his designee to 1) Enter into a Predevelopment Loan Agreement with BMH-I, LLC; 2) Amend the Master Development Agreement; 3) Commit Chicago Housing Authority Funds up to \$750,000 for pre-development work at the Horner Superblock; 4) Submit a Disposition Application to the United States Department of Housing and Urban Development; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

This award is subject to the Contractor's compliance with the CHA's MBE/WBE/DBE, Section 3 and insurance requirements.

